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ROMANIAN AGRI-FOOD TRADE WITH THE NEW MEMBER STATES (NMS-13) OF THE EU - A COMPARATIVE ANALYSIS

GAVRILESCU CAMELIA¹

Abstract: *After joining CEFTA in 1997, Romania established a relatively stable group of partner countries for its agri-food trade. Several factors contributed to the stability in time of this group, firstly the existence or establishment of preferential trade agreements, the geographical proximity, and last, but not least, the historical traditions. The exit from CEFTA and the accession to the EU of some of the partner countries, then of Romania itself, changed only temporarily the trade flows, until everyone's adaptation to the "new rules of the game". Among the new Member States of the EU (NMS-13), the main trading partners for Romania were and are Hungary, Bulgaria and Poland. The paper is analyzing the evolution of the agri-food trade flows with these countries, in terms of value and composition of the exchanges.*

Keywords: *agri-food trade, CEFTA, NMS-13, Romania*

INTRODUCTION

EU enlargement to 25, 27 and eventually to 28 Member States has had a significant positive influence in each country that newly joined the "club", as well as at the aggregate level of the European Union, and influenced also the world food markets. All new Member States recorded significant increases in their agri-food trade immediately after accession; EU increased its exports, thus consolidating its leading position in the global market. The New Member States (NMS) have contributed positively by increasing the volume of sold goods and negatively by adding their agri-food trade deficit, to the already existing negative trade balance of the Old Member States (OMS) (Torok and Jambor, 2012). After accession, in most NMS there was a similar trend of significant increase in their agri-food trade (Gavrilescu, 2014).

MATERIAL AND METHODS

International agri-food trade flows are analyzed, both intra- and extra community, for Romania and for the partner countries studied. They highlight the particular features of the Romanian agri-food trade are highlighted, as well as the similarities with the dynamics and structures of trade in the partner countries. The analysis was done on the dynamic trends (export, import, trade balance), focusing on the last 15 years. Comparative composition of the agri-food trade flows is analyzed as well by product group at 2 digit level in the Harmonised System (HS chapters 01-24).

RESULTS AND DISCUSSIONS

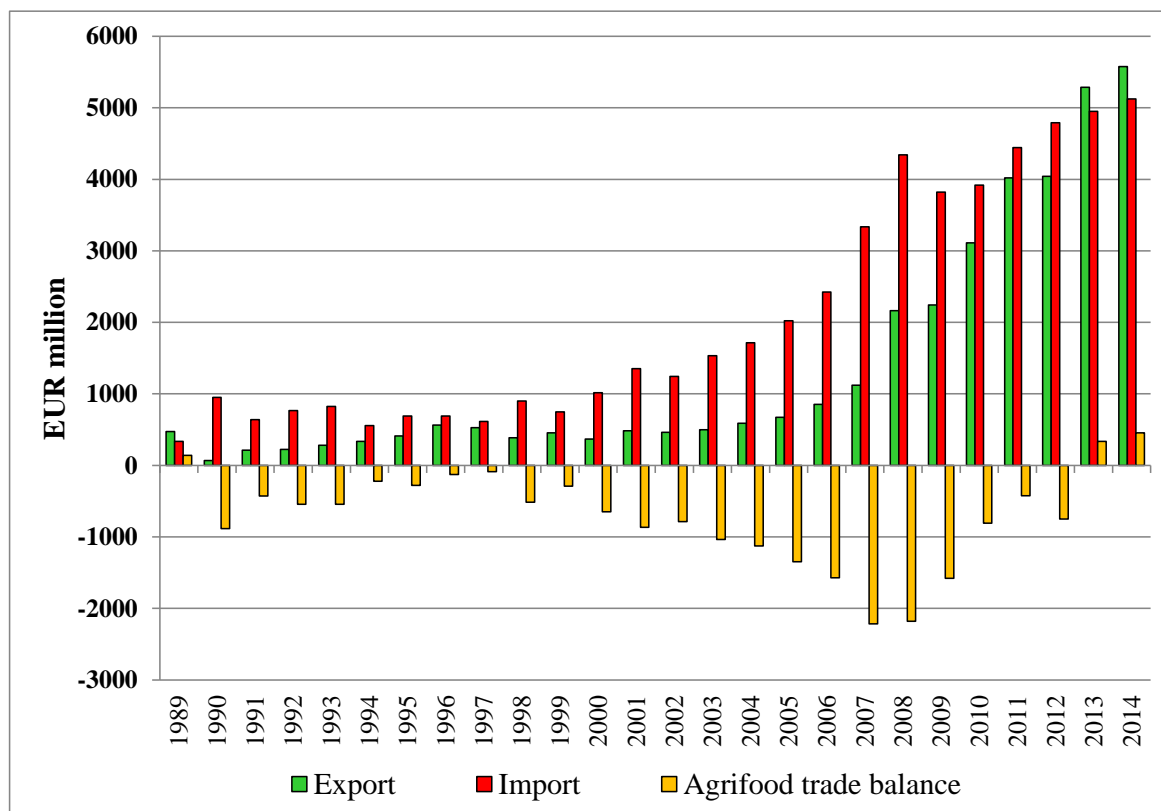
In the last decade of the 20th century, while covering the transition period from a centrally planned to a market economy, Romania has faced an economic and systemic crisis, which it has managed to overcome in the year 2000 only. The fractures and disfunctionalities occurred in the agri-food chains as a result of changes in the ownership regime and in economic mechanisms were reflected in the insufficient capacity to cover the domestic demand (in quantity and quality terms) and in a low competitiveness of Romanian agri-food products on international markets. Therefore, during this 10-year period (1990-1999), the Romanian international agri-food trade showed permanently a negative balance, with modest values for both export (below EUR 570 million) and import (under EUR 900 million) (figure 1). The year 2000 marks the exit from the "transition"

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crisis and the entry into a period of economic development that overlaps the pre-accession to the EU. By 2006 (the last before EU accession), exports doubled, the value of imports multiplied 2.4 times and the agri-food trade deficit increased 2.5 times.

During this period, Romania joined CEFTA, which has been a good training field for the capacity of the economy to evolve in an international market with very few protection barriers, and to evaluate its competitiveness in comparison with partner countries.

Figure 1 – Romanian international total agri-food trade (2002-2014)



Source: author's calculations using Eurostat data

After the conclusion of the Uruguay Round Agreement on Agriculture (in 1994) and the establishment of the World Trade Organization (in 1995), Romania negotiated a developing country status and hence, very high tariff bindings for agri-food products. In 1997, however, when it joined CEFTA, Romania was obliged to massively reduce the level of protection on imports, and hence had to face strong competition from other partners, especially from Hungary, which was the only country of the Visegrad group that had a positive agri-food balance, both overall balance and that within CEFTA. Romanian export growth in CEFTA was facilitated by a substantial reduction of tariff barriers of other members, but even so, due to lower competitiveness, the degree of market penetration on the partners' markets was lower than their market penetration in Romania. Anyway, Hungary and Poland were the most important destinations for Romanian exports. Increasing the share of exports to CEFTA under an increasing trend of total agri-food exports proves a concentration of export flows to these destinations.

On the other hand, in the general increase of the Romanian agri-food exports one could identify as well the positive influence of the EU Association Agreement (effective since 1995) which offered Romania trade facilities – in fact the possibility to penetrate the EU market at very low (preferential) import duties.

At that particular moment, the Hungarian and Polish agri-food sectors were better developed and more efficient than the Romanian one; as such, their products, cheaper and often better quality, largely entered the Romanian market, causing a strong upward trend in imports. After

joining CEFTA in 1999, Bulgaria became a very important trade partner for Romania: the share of imports originating from Bulgaria in the total import value coming from CEFTA increased over time; at the same time Romanian exports entered the Bulgarian market and increased in absolute and relative terms after 2001 (table 1).

Table 1 – Romanian agri-food trade with CEFTA countries in 1998-2003

	1998	1999	2000	2001	2002	2003
Export destinations (%)						
Bulgaria	0.0*	14.9	14.6	10.5	11.2	18.0
Czech Republic	3.8	3.6	3.2	5.0	6.8	8.2
Hungary	67.0	40.1	53.6	55.8	54.9	40.3
Poland	12.4	32.6	19.5	19.7	18.3	22.1
Slovakia	2.2	0.9	4.3	4.1	2.6	5.6
Slovenia	14.6	7.9	4.7	4.9	6.1	5.7
Total CEFTA	100.0	100.0	100.0	100.0	100.0	100.0
Share of CEFTA in total exports (%)	5.4	9.5	15.1	14.4	12.6	19.1
Import origins (%)						
Bulgaria	0.0*	3.5	3.6	7.4	8.3	8.9
Czech Republic	8.5	6.9	5.2	6.7	8.2	7.9
Hungary	71.7	65.5	69.8	63.9	52.8	54.1
Poland	16.1	19.6	18.5	18.5	27.1	25.0
Slovakia	2.7	2.9	0.8	2.5	2.9	3.7
Slovenia	1.0	1.5	2.0	1.1	0.7	0.5
Total CEFTA	100.0	100.0	100.0	100.0	100.0	100.0
Share of CEFTA in total imports (%)	20.2	20.6	22.6	24.0	20.7	25.9

Note: Bulgaria joined CEFTA in 1999.

Source: author's calculations using Eurostat data

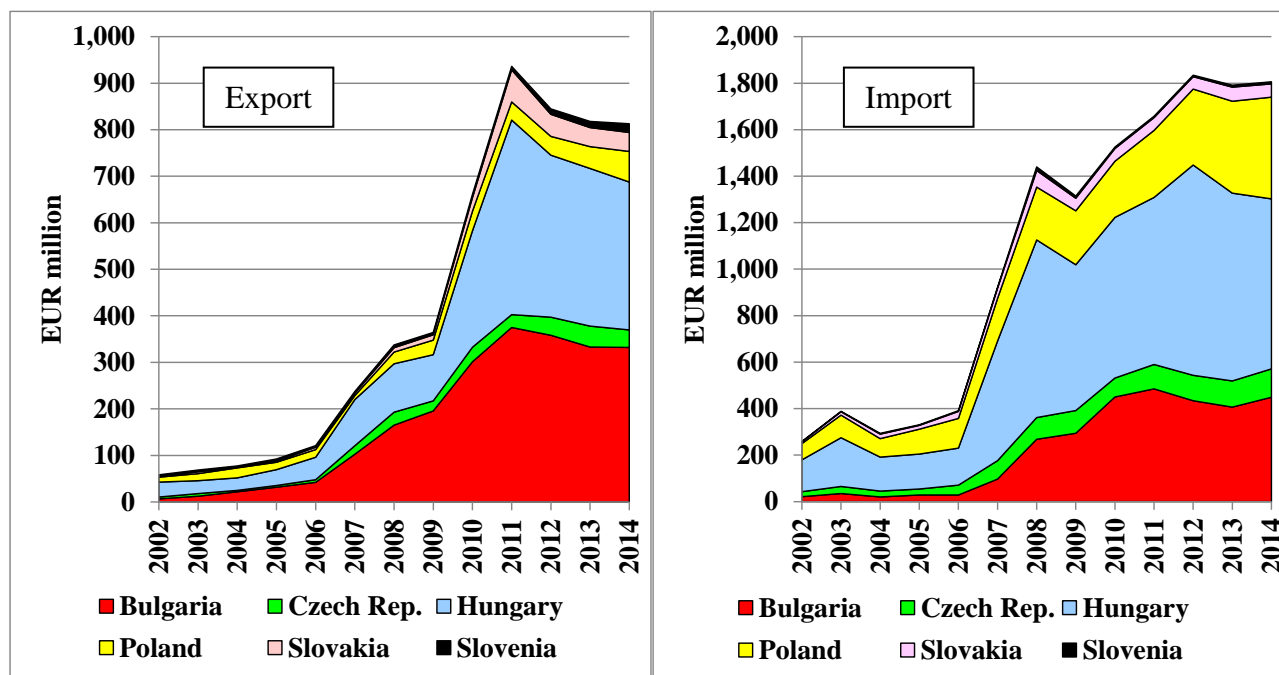
However, during the period it functioned, CEFTA facilitated the increase in trade flows among partner countries. In 2004, with the accession to the EU, Czech Republic, Poland, Hungary, Slovenia and Slovakia left CEFTA, but the trade relations were preserved, and the exchanges in agri-food goods continued on an upward trend, both for exports and imports especially.

In 2007, when Romania and Bulgaria joined the EU, they left as well CEFTA. The advantages of the presence in the Single Market, the significant support for agriculture coming from the CAP budget, together with the pre- and post-accession development programs, that took form of important investment in both production farms and in modern processing units, aligned to the EU quality standards, have resulted in spectacular growth of Romanian food exports (Gavrilescu and Voicilas, 2014). After two years of EU membership only, the export value was 2.5 times higher than in 2006, while in 2014 (8 years of membership), the export value climbed to EUR 5.6 billion, that is 6.53 times higher than in 2006.

After joining the EU, exports to ex-CEFTA countries increased sharply (figure 2), the maximum was reached in 2011 (EUR 936 million). In comparison with the base year 2006, the Romanian exports to Bulgaria multiplied 8.9 times, to Hungary 8.7 times, and to Poland 4 times.

Imports from these countries also recorded also significant jumps: from EUR 0.4 billion in 2006 to a peak of 1.83 billion in 2012.

Figure 2 – Romanian agri-food trade with ex-CEFTA countries in 2004-2014



Note: Bulgaria, as Romania, remained CEFTA member until EU accession in 2007.

Source: author's calculations using Eurostat data

As a result, the Romanian trade deficit in relation to ex-CEFTA countries, which in the pre-accession period not exceeded EUR 270 million, rose sharply to EUR 1.1 billion in 2008, falling gradually to EUR 722 million in 2012 and increasing again in 2013-2014 (table 2).

Table 2 – Agri-food trade balance with ex-CEFTA countries (EUR million)

Year	Bulgaria*	Czech Republic	Hungary	Poland	Slovakia	Slovenia	Total ex-CEFTA
2004	2	-22	-119	-58	-18	-1	-216
2005	3	-22	-116	-91	-14	2	-238
2006	14	-37	-111	-111	-25	0	-270
2007	6	-61	-415	-175	-39	-1	-685
2008	-103	-66	-660	-202	-62	-10	-1102
2009	-99	-76	-528	-201	-43	-4	-950
2010	-149	-50	-441	-200	-25	1	-864
2011	-110	-77	-300	-249	14	1	-722
2012	-76	-70	-557	-286	-6	5	-990
2013	-74	-68	-469	-348	-20	5	-974
2014	-117	-84	-414	-372	-16	10	-993

Note: *Bulgaria, as Romania, remained CEFTA member until EU accession in 2007.

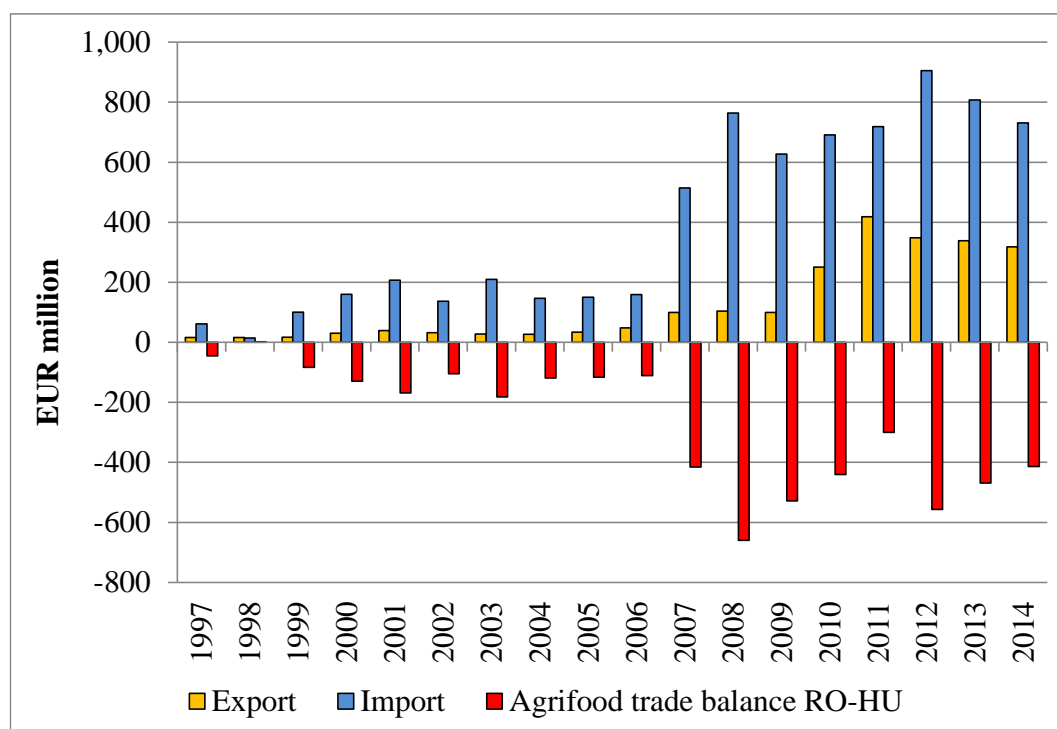
Source: author's calculations using Eurostat data

In trade with countries in this group, Romania recorded negative balances. Trade surplus (marked in yellow in table 2) occurred in almost all years in relation to Slovenia only; otherwise, the balance was negative, with high levels of deficits in trade with Hungary and Poland. Since accession, in relation to Bulgaria a rather large trade deficit appeared as well.

In the post accession period, in the top Romanian intra-EU agri-food export destinations, Hungary and Bulgaria alternately took ranks 2 and 3, after Italy. Romanian total exports to ex-CEFTA group peaked in 2011 (EUR 936 million).

In the ex-CEFTA group, Hungary is by far the most important trading partner (Gavrilescu, 2013). In the post-accession period, the total volume of trade with Hungary doubled, from EUR 623 million (in 2006) to EUR 1.25 billion (in 2012) (figure 3).

Figure 3 – Romanian agri-food trade with Hungary (1997-2014)



Source: author's calculations using Eurostat data

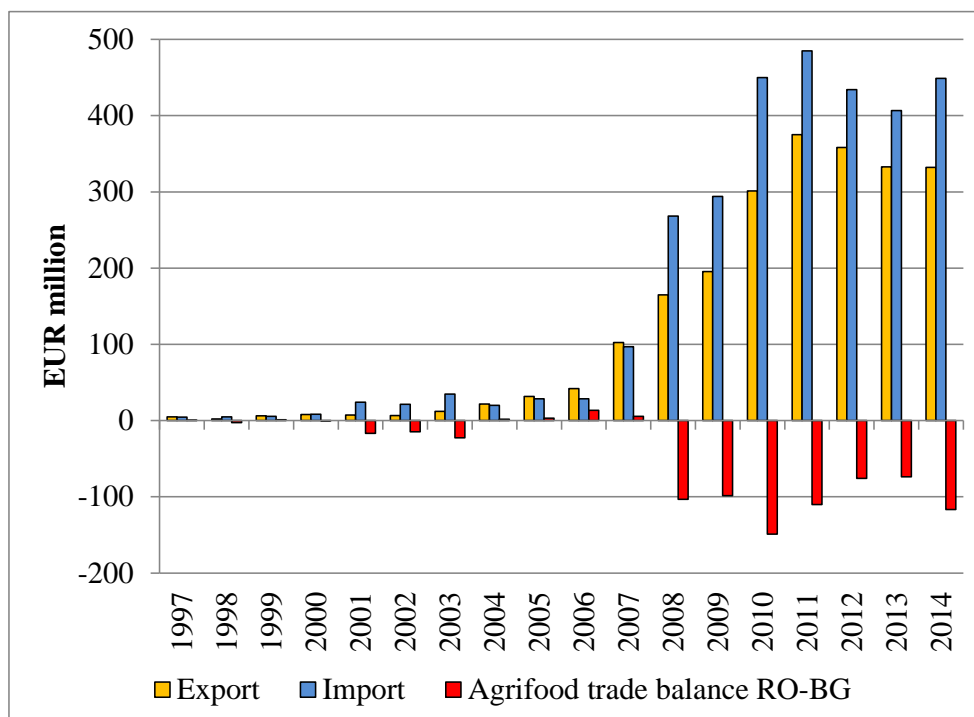
Imports from Hungary have increased greatly in the post-accession period, from EUR 159 million in 2006, to EUR 905 million in 2011. With the sole exception of 1998, the trade balance with Hungary has been consistently negative, with deficit peaks in 2008 and 2012, which amounted to about EUR 600 million.

Product structure analysis shows that Romania exported to Hungary mainly oilseeds, some processed products - edible oils and bakery & pastry products, as well as cereals (especially maize). From Hungary imports are mainly meat (2/3 pork and poultry 1/3), animal feed, livestock, milk and dairy products. Among imported live animals, first are piglets for commercial fattening units, because in Romania there are only very few pigs breeding farms, that are unable to meet domestic demand for piglets for fattening.

The evolution of agri-food trade between Romania and Bulgaria has probably the most spectacular aspect. During CEFTA, Romanian exports did not exceed EUR 10 million. On the other hand, after the accession, both exports and imports have skyrocketed: in 2011 exports were 8.9 times higher than in 2006 and 2012 imports were 15 times higher than the reference year 2006 (figure 4).

The balance was positive until Bulgaria's entry into CEFTA, then turned negative in 2000-2003. In the pre-accession period Romania has managed to export more to Bulgaria, but the balance has deteriorated after accession, when massive growth of imports resulted in significant trade deficits.

Figure 4 - Romanian agri-food trade with Bulgaria (1997-2014)

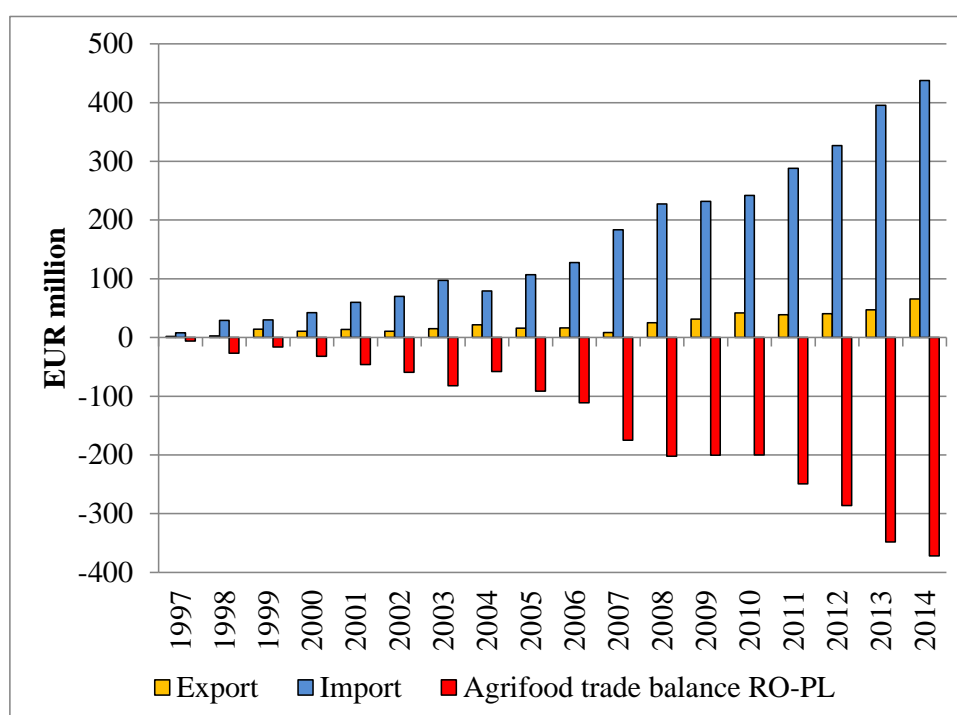


Source: author's calculations using Eurostat data

Romanian exports to Bulgaria consist mostly of animal feed, milk and dairy products, sugar, cereals and oilseeds, and from Bulgaria imports are cereals and oilseeds, coffee, tea, spices, bakery and pastry products.

Romania's trade with Poland is characterized by imports that have increased year by year, at a high pace after 2007, given that exports are very modest (figure 5).

Figure 5 - Romanian agri-food trade with Poland (1997-2014)



Source: author's calculations using Eurostat data

The coverage of imports by exports ranged between 11-17% during 2007-2014. The Polish food sector is among the best developed and most competitive of the New Member States. This may be one reason why Romanian products came as little on the Polish food market.

Romania is exporting to Poland tobacco and cigarettes, bakery and pastry products, equine meat and live cattle. Imports consist mainly of milk and dairy products, pork, prepared foods, cocoa and chocolate.

The result of these combined developments was for Romania a very dynamic trade balance: the first two years after accession, the deficit peaked: EUR -2.2 billion. Since the crisis, due to higher growth rate of exports, the trade deficit decreased almost continuously and very rapidly: in three years only it fell 5.2 times, from EUR -2.2 billion in 2008, down to EUR -423 million only in 2011. In 2013, Romania's agro-food trade balance became positive for the first time in the last two and half decades.

In compensation for disappointing developments in the agri-food trade with some of its main European partners (ex-CEFTA), Romania has shifted significantly its agri-food exports to destinations outside Europe, managing to offset the negative balances in trade relations with the most important new Member States.

Since 2010, Romania's extra-EU trade balance became positive, and since 2013 its value exceeded the deficit in intra-Community trade, and so Romania has become a net exporter of agricultural products again, and further efforts must be directed towards maintaining and strengthening that position in the coming years as well.

CONCLUSIONS

Throughout the years, but especially during CEFTA (1997-2003), of the member countries of this free trade agreement, Hungary became an increasingly important trading partner for Romania; the next two partners (in terms of agri-food trade value) were Bulgaria and Poland.

After accession, agri-food trade flows with ex-CEFTA countries multiplied several times on all destinations and origins.

In the post-accession period, Hungary ranked among the top two export destinations, and is by far the first country of origin for the Romanian agri-food imports.

Since the CEFTA period, Romania's trade with Hungary, Bulgaria, Poland, Slovakia and Slovenia presented constantly significant deficits. This shows that the agri-food sectors of these countries were much better prepared than Romania to enter the Single Market.

Current and future investments in modern farms and processing units will help improve Romania's position on international agri-food markets and will reduce the share of agricultural commodities (cereals, oilseeds, livestock), while increasing the share of processed products in exports, creating prerequisites for increasing overall Romanian agri-food trade competitiveness.

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